

MEMORANDUM FOR: Assistant Director, Research and Reports

THRU: Chief, Economic Research Area

THRU: Chief, Planning and Review Staff, ORR

THRU: Chief, Industrial Division, ORR

FROM: Chief, Manufacturing Sectors Branch, D/I

SUBJECT: Proposed Personal Service Contract with [REDACTED]

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1. PROBLEM

To obtain a required research study on the significance of small-scale plants in machinery manufacturing in Communist China.

2. FACTS BEARING ON THE PROBLEM

a. There is no adequate study which assesses the small-scale plants scheme as a means of achieving rapid gains in machinery manufacturing and the problems and limitations connected therewith.

b. The personnel capabilities of the Manufacturing Sectors Branch are being fully utilized in the analysis of classified information on the machine building and light industries of the Sino-Soviet Bloc.

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c. [REDACTED], has indicated his willingness to undertake a personal service contract to extend for about six months.

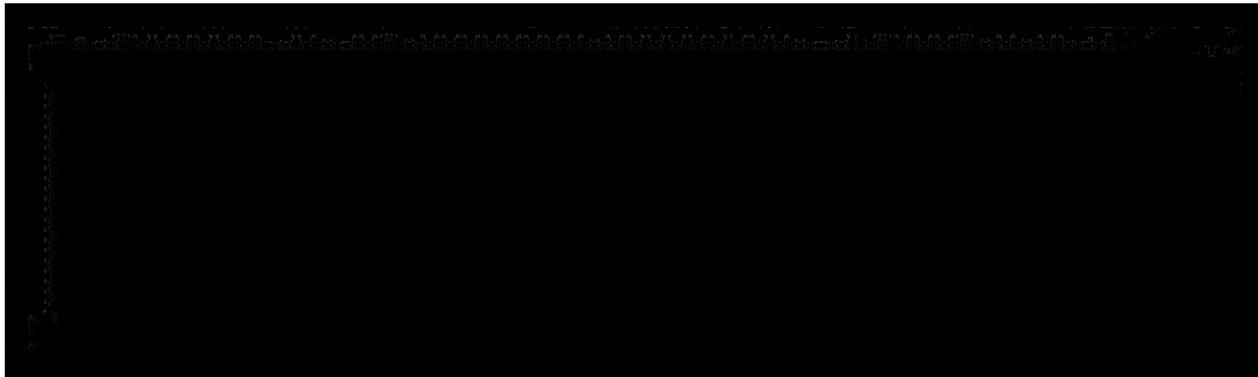
3. DISCUSSION

a. The Manufacturing Sectors Branch requires a study to support current ORR research needs outlined in the terms of reference for NIE 13-59 which called upon the Industrial Division, among other things, to "analyze the technical feasibility of small-scale projects being undertaken." Only the superficial examination of this topic was possible in the time allowed. To do an adequate job it is considered necessary to examine in some degree Chinese experience in the use of small-scale plants and "native-style" (labor-intensive) methods in machinery manufacture before 1949 as well as useful analogies from the experience of Japan and India.

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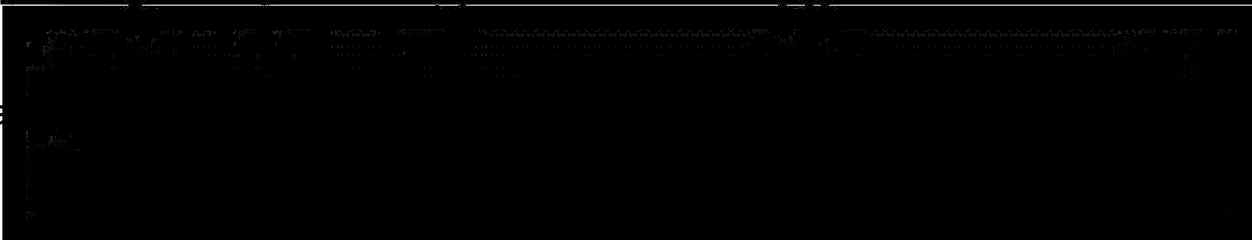


c. The research to be undertaken by [REDACTED] would be unclassified. 25X1A5a1
However, the results will be classified as appropriate when incorporated
into specific internally produced ORR research projects. He would not have
access to Agency materials and would not work in Agency buildings. [REDACTED] 25X1A5a1
would do most of this research at [REDACTED] but would require 25X1A5a1
travel funds to exploit Chinese-language materials at Stanford and the
Library of Congress. The proposed study is believed to be suitable for
publication outside the US Government.

d. [REDACTED] 25X1A5a1 would be employed full time during the summer and part-time
during the fall for the equivalent of about four to six months of full time 25X9A6A
research. His present annual salary from [REDACTED]



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e. This research would be monitored by Chief, Manufacturing Sectors
Branch, ORR.

4. CONCLUSION

Certain requirements of the Manufacturing Sectors Branch, Industrial
Division, for research on the significance of small-scale plants in machinery
manufacturing in Communist China can be met most effectively and economically
by [REDACTED] on a contract basis.

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5. ACTION RECOMMENDED

a. That approval be granted for ORR to arrange a four- to six-month
Personal Service Contract with [REDACTED] at an estimated cost of

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[REDACTED] for the preparation of the study discussed above.

b. That this contract provide that the contractor may retain proprietary rights to the manuscript and be encouraged to publish same, in whole or in part, through appropriate channels.

[REDACTED] 25X1A9a

Attachment:

Significance of Shift to Small-scale Projects for the Economic Development
of Communist China's Machinery Industry

- I.* Analysis of new Chinese Communist policy as a means of supplementing industrial production.
 - A. Appearance of bottlenecks in type of development which resulted from copying the U.S.S.R.
 - B. Alleged advantages of small-scale production with special reference to the commune movement.
- II. Chinese experience before 1949 in use of small-scale plants and traditional (labor-intensive) methods in machinery manufacture.
- III. Experience of Japan in small-scale production and intensification of labor inputs.
- IV. Limiting factors affecting Chinese Communist capabilities to take advantage of small-scale methods.
 - a. Availability of material
 - b. Technology
 - c. Labor skills
 - d. Organizational control
- V. Assessment.

* Brief introduction only.